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# *The* **MANAGEMENT REVIEW**

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# *The* **MANAGEMENT REVIEW**

*December, 1929*

## **Duties of a Chief Executive in a Business of Moderate Size<sup>1</sup>**

*By WM. L. BATT, President  
SKF Industries*

**T**HE use of the term "organization" as applied to the corporation is of comparatively recent origin. It doubtless has its inception in the changed viewpoint which has characterized the machinery of business of the last one or two generations. This has been a most significant change and the results are so far reaching that only coming years will be able truly to evaluate them. The old paternalistic theory of business operations wherein one, or at most a few, individuals dominated every act of a business, has given way to the conclusion that it pays to encourage each individual of the entire operating force to carry some definite share of responsibility. The very large units have made this method of operation imperative; the smaller ones have found it no less desirable. And, for the obvious reason that only in that way can the sum total of all the knowledge and experience of a group of persons engaged in a common object be most completely translated into the only common denominator that business knows—namely, *net profits*.

### **Assigning Responsibilities to Chief Executive**

One outstanding effect of this development in the business structure has been to assign definite and specific responsibilities to the chief executive. As contrasted with the old system of operation wherein he was not only theoretically but, to a greater or lesser extent, actually in touch with every detail of operation, he now functions specifically in certain definite directions. Each executive will desire to formulate for himself his relation to his own business

<sup>1</sup> Presented at the International Management Congress held at Paris, June, 1929.

in the light of its particular problems. But it is quite certain that he will, more than ever before, definitely delegate authority and responsibility as far as his organization has been trained to accept it. A measure of his success in creating a properly functioning organization will be the extent to which all routine details of operation can be assumed by others. Only in that way will he be enabled to keep himself free to assume those functions which are peculiarly his own.

Broadly I have visualized these as

1. The creation of an effective operating staff, which involves the definite division and allocation of junior executive responsibility; and  
The maintenance of an esprit de corps;
2. The co-relation of income and disbursement, ordinarily through the medium of the so-called Budget;
3. The determination of major policies and the study of trends of development of the business both in its relation to competition and general conditions.

This paper proposes to discuss these duties of the head of a corporation of moderate size and to attempt to evaluate their relative importance.

### **An Adequate Executive Operating Structure**

An executive of a business of such size has many opportunities that do not exist for the heads of the very large aggregations of capital. The most outstanding of these is that a unit of moderate size is large enough to permit the building of an adequate executive operating structure and yet not so large that its head may not have a moderately close personal contact with all parts of it.

It is obviously impossible to define precisely the term "moderate" as applying to the size of the organization whose executive problems are to be discussed. The usual conception of moderate size in the United States, or even a single industry in this country, may well differ widely from that of another country or another industry. In the author's mind, the company with which he has been associated for many years may fairly be termed of moderate size. It has something less than twenty-five hundred employees; manufactures its products in three plants and distributes them through a network of direct sales branches located in the principal cities of the country. It has a capital investment of approximately \$20,000,000, and a sales volume adequately corresponding thereto. It is therefore, small enough to admit of a reasonably intimate executive contact, and yet of sufficient size to require a detailed division of executive responsibility.

What are the duties of the chief executive of such a company? In the attempt to answer this question precisely, differences in executive viewpoint



are quickly disclosed. The accepted method of executive control of a generation ago still prevails in many parts of the world. Its basic premise is that, whatever the size of the undertaking, the head must, insofar as his time and strength permit, make all decisions; he must know as much about the detail of the business as is humanly possible. By accepted tradition, he will regard such matters as signing checks, personally supervising the opening of the mail, and the signing of at least all important letters with his own signature as essentials requiring his own personal participation. And it is obvious that this requirement, for the chief executive to be in touch with every question, need not necessarily arise out of a desire for personal prestige. It is consistent with a sense of executive responsibility that knew no other method of operation.

The modern American theory of executive operation of this theory, to distinguish any difference in the principle due alone to the size of the organization. I am of the opinion that, once he has his own conception of his executive responsibility clearly determined, the head of any business, whether large or small, will apply it in about the same fashion.

### **Chief Executive's Functions in the Organization**

It is my theory that, if the chief executive will definitely analyze for himself what his own relation to his organization is to be, the duties which are to be particularly his will flow naturally out of his conception of his relation to his business.

Of course, the successful head of a business will first and foremost be *himself*. He cannot continuously live with his organization and undergo its daily scrutiny, friendly or unfriendly, without revealing his real purposes. Too many men make the mistake of thinking that they are able to fool their associates merely because of their own positions of authority.

### **Results from Cooperation**

The measure of cooperation, which the executive actually receives, will be precisely in proportion to that which he gives. The day of the domineering type of management has passed and if for no other reason than because the modern call for efficiency has shown the enormously greater results to be had from cooperation. And incidentally, this type of management will be far more gratifying and enjoyable to all concerned.

The head of a business must either hold the affection of his associates through admiration for his personal qualities or command their respect by his recognized ability. The latter trait is much the more usual, but it is to be doubted if it is apt to make for the more striking successes in leadership. The really great business genius is that unusual man who can, on the one hand,

by the sheer force of personal affection and inspiration spur his associates to accomplishments ordinarily beyond them; and on the other, through his clear and incisive ability to get at the root of any problem, command their ungrudging admiration and respect. Doubtless one of the reasons, that the average business is of only moderate size, is to be found in the fact that the average business leader is of only moderate ability.

### **Developing Hearty Team Spirit**

To liken an organization to a team may partake of the trite. And yet no better simile can be found, for much of its attractiveness lies in its understandableness to men. It requires no proof to say that teamwork *or workers*, animated by a common and intelligent willingness will ordinarily outrank a group of so-called stars where each is looking toward his own aggrandizement. Even the youngest errand boy knows that the successful ball team will be successful only just so long as there is a hearty team spirit. Any one may be sure that he will expect the team manager to maintain and develop that spirit.

I conceive this responsibility to be the major one facing the chief of any business, whatever its size. And it cannot be developed under a one man policy. The executive who insists on being the "whole show", who must be consulted on all matters large and small, is definitely limiting the growth of his organization. He must permit his assistants, insofar as is possible, to exercise the utmost of individual judgment.

### **Encouraging Independent Organization Thinking**

The generous delegation of executive authority will encourage independent organization thinking. It is vital to the success of such a principle of operation that the chief executive shall unfailingly stand behind his assistants in the decisions they have made. Whether or not he agrees with the things which have been done, it is imperative in the maintenance of organization spirit that their prestige shall not be affected before their associates or the public. Suggestions for a better course for the future will always be kindly but privately made.

It is my firm belief that, in an organization of the size under discussion, and to a continuously greater extent in larger units, the quality of its performance will be only so good as that of its junior executives. The volume of detail and the variety of public contacts, both buying and selling, are too great for the chief to do more than formulate principles and set the tone of the group thinking. It is natural for him to attempt to do more, particularly where he may have grown up with the business and possess detailed and intimate knowledge of the ramifications of its problems. It will be essential that he guard himself against this tendency.

### **Personal Position of Business Head**

It is usually forgotten that the head of a business is in a particularly difficult personal position. He is the only one in the organization whose detailed acts are not readily subject to frank criticism, from which he may benefit. The Board of Directors will judge him generally by the results of the company's activities, and usually from a financial viewpoint only. In the very nature of things, it is highly improbable that he will have the benefit of any considerable frank or unbiased discussion of his business habits. Fortunate is that executive whose associates are so closely bound to him by ties of mutual respect and affection that he can know what they are actually thinking. In my opinion this is the ideal of management. I believe it is the more readily approachable in the moderate sized organization, than in those of larger size.

### **Actual Duties of Chief Executive**

It may be noted that I have, thus far, said little about the actual duties of the chief executive. That is solely because I conclude that it is not of material significance to what particular part of the operating detail he gives the most of his attention, provided only that he has these fundamental principles of executive control in operation. His own training and experience, as well as the particular problems of the business, will determine the departments to which he will give the greatest attention. It is doubtless inevitable that the man who has risen through the ranks of production will, although perhaps unintentionally, show more interest in production problems. At the same time, due to his lesser familiarity with sales problems, it is probable that he will have developed stronger sales executives, and that the sales end of the business will actually require less of his attention. Nor do I think there can be any uniformity as to the ways and means by which he will keep in touch with the results of the whole business. It has not been my observation that I have needed to concern myself particularly, with the development of methods of checking up on operations, or in other words, on the work of the organization. Given the proper spirit—given a group of executives earnestly cooperating with their chief for the good of the business, and they will be anxious to see that he is kept informed as to the progress of the work for which they are responsible. From them will voluntarily come more information in the form of reports, data, and whatnot, than he can actually use; and it will be for him rather to indicate that which he finds to be of the greatest interest and value.

### **Recruiting New Executive Material**

One of the real problems which every executive has to face is that of recruiting new executive material. Two basic solutions are obviously avail-

able; the one lies in the bringing in of trained personnel from the outside—frequently from similar or even competitive lines of business; the other through the definite policy of promotion of men from lower ranks. If the rate of organization growth does not call for executives at a faster rate than they can be trained, I strongly prefer this policy. It encourages men to attempt constantly to improve the quality of their work and to strive to fit themselves for advanced positions. It most certainly tends to keep employee turnover at a minimum, and produces a more smoothly functioning group of workers. Against it may be urged its outstanding disadvantage, that it tends to create lesser originality and decreased inventiveness of thought and policy. To some extent the type of business objective will indicate the relative weight to be allowed to these advantages and disadvantages. When conditions make it necessary to bring in new men from the outside, the outstanding responsibility of the chief executive will be to fit these men properly into the organization. He must sell them the scheme of coordination; at the same time he must sell them to their associates, that they may smoothly and efficiently apply their efforts in a positive direction. One of the greatest obstacles in many businesses arises out of the needless friction between individual executives. This may come from either ignorance or selfishness. The head of the business will find his first duty in its eradication.

### **Test of Organization Functioning**

It is almost needless to say that a well established accounting and statistical department is a vital force in every well organized business. Such a department is essential to the proper functioning of a budget plan. The setting up and carrying out of a plan of budget operation affords an excellent test of organization functioning. The general principles of operation under a budget are too familiar to require detailed repetition. The part that the chief executive can most wisely play in the operation of such a plan may, however, be considered. As a first step in its installation, the chief executive will determine the standards which he desires reached for the period under consideration. It will be his responsibility to establish generally what he believes to be a proper sales or manufacturing quota; the permissible percentages of the various items of expense, and the final net profit goal. This skeleton structure will have been prepared with the aid of a budget director. If the head of the Accounting Department is all that he can be, he will be of invaluable assistance to the chief executive as well as to the entire executive organization. He will frequently be found the most available individual to head the budget department, and the resulting data in his hands can be of inestimable value. It is literally impossible, and certainly unwise, to define the many directions which the activities of such a junior executive may well take. More perhaps

than any other single individual in the organization, such a man may grow and develop out of a broad executive policy.

In the unit of moderate size it will be feasible to constitute the entire first line of junior executives as a Budget Committee. As a group, they will be enabled to visualize the broader problems of operation and encouraged to a far closer cooperation between their respective departments, than is readily obtainable otherwise.

The details of department income and expense will usually be determined between the budget director and the head of the department in question. The results upon which they have agreed will be accumulated into a total and passed upon by the Budget Committee. I cannot too strongly emphasize the great potential value in such discussions. More clearly than by any other method, they can be made to focus the best thought of the executive group on the problems of the business.

### Measure of Success of Chief Executive

The real measure of an efficient chief executive is not easy of definition or determination. His success will, of course, be measured from two opposite angles; the first is the financial return which is earned for the stockholders, and the general enhancement of the company's position. Obviously it will require some other proof of his success if a reasonable financial return is not made to those who have entrusted their capital to his care. But financial returns can hardly be considered the entire measure of the real success of the head of a business. One need not be radical to give considerable measure of weight to the sort of business life which the chief executive has made possible for all those working under him.

In any organization capably headed, one may at least be sure to find it an efficiently functioning unit; it will be able to run well without its chief for reasonable periods; it will lose and add new men without noticeable strain or stress; it will meet its business problems intelligently and fearlessly; it will act as a unit instead of as a group of individuals in more or less unrelated efforts, and its general tendency will be forward. Such an organization will not, for long, move backward.

This is the measure of a good chief executive, that he shall have created and maintained such an organization.



# THE MANAGEMENT INDEX

## Abstracts and News Items

### GENERAL MANAGEMENT

#### What Makes a Successful Executive?

The president of the Studebaker Corporation says that the most reliable test of whether a man is competent to rise to high industrial command is passed by the man who says "what else can I do?" Very few are willing to pay the price of hard work. A diversity of jobs is essential for the potential business leader. It is also necessary for the head of a corporation to have what is called a financial mind. The business leader must be able to read reports and visualize conditions that they represent. By Albert R. Erskine. *Nation's Business*, November, 1929, p. 39:3.

#### The Distributor Assumes Risks for the Manufacturer

In addition to the other important ways in which the industrial distributor serves his manufacturers, certain other functions must not be overlooked. Both from an individual and social point of view, it appears to be more economical for the distributor to perform the function of storage. Even though he may handle seasonal goods, it is probable that the seasons for the different types of goods stocked will not exactly coincide. He is thus able to rotate stocks of seasonable goods and to utilize his space constantly and with relatively little waste.

Another service that is closely allied to this is that of aiding in stabilizing production of the manufacturers whose goods are handled by distributors. Since the distributor generally carries stocks from the time when production is completed until they

are needed by the consumers, it behooves him to anticipate the demand intelligently, so that he may place his orders in advance of actual need. This gives the manufacturer an opportunity to operate his plant according to schedule. His production, therefore, precedes actual demand instead of following it. Financial assistance also is given to manufacturers in need of it, especially to the small producers.

Distributors usually buy in large quantities. A few large shipments can thus be made by the manufacturer instead of numerous small ones. All of these economies, while small individually, mount to considerable figures in the aggregate. By Theodore N. Beckman. *Mill Supplies*, November, 1929, p. 44:2.

#### Machines Make More Jobs for Men

Machinery is not putting men out of jobs. Instead it puts them into better jobs. Neither does it make for less intelligent men. It is in fact calling for more and more intelligent men than can easily be had. In Ford's factories men are being displaced by machines as rapidly as possible. Yet in less than thirty years the pay roll roster has increased from three men to more than a hundred thousand.

The followers of what was once called scientific management study the man as though he were a machine, time his movements, take pictures of them, and devise what they call the most efficient series of motions for the man. They give him tolerances, speed and fatigue limits. But instead of centering attention on the man it



should be centered on the machine. This should be so perfect that man does not have to supply its deficiencies of design.

The trend is toward the larger use of automatic machinery. When such tools can be produced in sufficient quantities that they are fairly cheap, labor will shift from the actual production of things to the making of the tools of production and their repair. There is now a shortage of good men to handle repairs and service throughout the country. All this makes for more and not less skill in the worker. By Henry Ford. *New York Evening Post*, November 6, 1929, p. 9.

**La Funzione Dell' "E. N. I. O. S." Nel  
Movimento Italiano  
Per L'Organizzazione Scientifica Del  
Lavoro**

The report considers the special and favorable conditions for the full application of the principles of scientific management in Italy.

This situation was created by the corporate State which promotes a régime of collaboration between capital and workers.

The "Enios's" function (Ente Nazionale Italiano per l'Organizzazione Scientifica del Lavoro) is then considered in connection with the progress made by scientific management in Italy, and the aims pursued by scientific management in Italy, and the aims pursued by this Institute are reviewed. It was founded by the General Fascist Confederacy of the industries and had the consent of all the producer forces of the country.

The activeness of the Institute and the performance of its organization are also considered. *Fourth International Management Congress Proceedings, Mémoire CXLI, Section Enseignement Et Questions Générales*, p. 1:4.

**Der Menschliche Faktor in Der Industrie**

Rationalization has by no means reduced the importance of the human factor. Relations between employees and employers. Labor law, the law on committees in large concerns. The protection of the worker,

social insurance. Working hours. Guidance in choice of a profession, free public offices for advice on choice of trades and labor exchanges, collaboration between school and doctor. The workers' education, school workshops, apprentice workshops, evening classes, special classes. Protection against accidents, workshop rules, collaboration between official inspectors and workers' union inspectors, preventive instruction in the school and workshop, propaganda by the cinema, the press, by education. Rationalization of working conditions, of tools and methods of work. By Oberregierungsrat Bertheau. *Fourth International Management Congress Proceedings, Mémoire CX, Section Enseignement Et Questions Générales*, p. 1:7.

**La Direction a Distance**

Modern industry tends to create big national and international mergers. This creates a new program—special to modern times—by which means the heads of such big organization can exercise an efficient control and a permanent supervision over his different works. Only scientific management, well understood and properly applied, can solve the problem, because if it is true that a chief ought to be informed about everything, it is needless for him, and even prejudicial, to spend his time over too many details. Therefore it is necessary to apply the exceptional system of Taylor by means of statements and standards.

This paper describes how management at distance has been organized by the author for several spinning and weaving mills. By Dr. Edmond Landauer. *Fourth International Management Congress Proceedings, Mémoire I, Section Administration*, p. 1:7.

**The Educator and the Business Man  
Have a Mutual Problem**

The weakness of educational systems in the training of men for executive business positions is that they tend too much to fill the mind with facts, but do not train the mind to use these facts. Progressive edu-

cators believe that more and more can be done in forcing college students to use their minds, to think clearly, to solve new and unfamiliar problems which require a great deal more than mere technical equipment.

Two kinds of mistakes are often made by the employer: one, to over-estimate the abilities of the college trained man; the other, to view the college graduate as worthless. It would be more accurate to consider him as half trained. To give the college graduate the job of office boy, or its equivalent, is a mistake. The college graduate may be raw material, but he is at least good raw material, better than the average. Not to give him the opportunity to assume responsibility is a waste.

One large merchandising corporation picks capable-appearing high school boys who cannot afford to go to college, lends them part of the money with which to finance two years at college, then takes them into the company for two years of business training. After that the company determines whether it wants the young men for permanent positions. *Ernst & Ernst Weekly Bulletin*, Nov. 5, 1929, p. 1:2.

#### The Synchronization of Sales and Production

Since the early days of the United States, the fundamental economic factors governing American business, and business methods, have undergone a marked change. The era of exploitation of natural resources in a new country is past and the emphasis has been shifted from production to marketing and the means for effecting the co-ordination of the activities in these two important departments.

Our prosperity, both agricultural and industrial, depends to a large extent upon the ability to export surplus production. Severe competition has developed from both domestic and foreign products and the rehabilitation of European industry will only serve to make the situation more acute. The persistence of a hand-to-mouth buying policy, and the development of the style

factor, are other examples of the new economic era.

The American executive has realized that the methods of yesterday are unsuited to the problems of today, with the result that a new technique is being developed which visualizes business as a co-ordinated and well-balanced whole. In the majority of cases, this co-ordination revolves about some kind of a budget. Operating schedules are based upon forecasts prepared by the sales department, which in turn presumably has made its plans upon careful market studies. It is thus possible to prepare a financial budget well in advance of operations and to estimate the effectiveness of the proposed program.

The Assistant to the Vice President and General Production Manager, Royal Baking Powder Company gives some specific illustrations of the new method as applied in an organization producing a variety of products in scattered plants. By Howard M. Hubbard. *Management Transactions of the A. S. M. E.*, May-August, 1929, p. 89:6.

#### The Foreman Goes Out on the Road

The general manager of the Billings and Spencer Company describes their practice of sending the foremen into the customer's plants and the salutary effect gained thereby. By A. H. Deute. *Factory and Industrial Management*, November, 1929, p. 1094:2.

#### The Tangible Value of Brains

To the World War has been attributed many resulting evils; perhaps to its influence can be traced this one good: Many a belief, fostered and pampered through the decades of trading and financing apparently still in the prime of their existence, has been ruthlessly cast aside and rendered obsolete by the hand of necessity in modern business. Business, inherently conservative and wary of rapid change has altered its manner of thinking. New types of mind are being applied to the problems of business.

Necessity aided the bankers in the World War and during the trying period following it. The years since have demonstrated the soundness of the judgments exercised in the problems brought on by the War and also demonstrated the actual mental capabilities of business. Man, said to be naturally disinclined to think for himself, was forced to conceive solutions for hitherto unknown problems. A new philosophy in industry was being developed and today we have come to recognize the tangible value of brains over brick. Book learning has today assumed a smaller significance and earning power a much greater significance than formerly.

In the field of industry is evidence of revolution more significant and more potential for human good than that which

started 150 years ago with the discovery of the force of steam. The amazing growth of the radio industry is only one example of the swift changes which have come about in the field of industry.

Mass production in America is a development of the period since the war. Also, for the first time in the world's history there has been developed in America a buying public of hundreds of thousands of individuals who can afford to buy anything they desire, regardless of purse limitations.

These conditions present challenge for responsible leadership for judgment and sound analysis based on thorough thinking on the part of those concerned with the management of American business and industry. By Julius H. Barnes. *Executives' Service Bulletin*, October, 1929.

## FINANCIAL MANAGEMENT

### A Disaster in Management

The story of the misadventures of the Brotherhood of Locomotive Engineers in the realm of business. The banks owned by the Brotherhood have been under capable direction and continue to have the confidence of their communities. The large losses were incurred through unfortunate real estate deals, and other ill advised business and industrial ventures. The moral seems to be that the handling of such huge sums should only be entrusted to those specifically trained to do so. By F. A. Van Fleet. *Nation's Business*, November, 1929, p. 15.5.

### "Others" Withdraw Their Loans

While thunder and lightning raged around the stock markets in the recent crash the most widespread redistribution of credit in financial history was affected—so well managed that not a ripple occurred in Wall Street. This redistribution marks the resumption of responsibility for the money market by the New York banks, a responsibility which they unwillingly abdicated about a year ago, when for the

first time loans by "others" began to exceed the total loans by New York and out-of-town banks.

On October 23 brokers' loans for "others" totaled \$3,823,000,000. But during the following week with the stock market breaking billions per hour, approximately \$1,400,000,000 of this amount was withdrawn. Concurrently \$700,000,000 of the brokers' loans by banks outside New York was also withdrawn. This is by far the most drastic reduction of loans that has ever occurred in any market in the world in so short a time. If the New York City banks had been unable or unwilling to fill up the resulting vacuum, a money panic would have resulted. New York banks, however, stepped into the gap. They increased their own loans to brokers' by approximately \$1,000,000,000.

Thus has come to pass that which many economists and writers have predicted—that loans by "others" might at some time be withdrawn in large amounts without warning. But the outcome has not been as they predicted, for instead of unsettling money markets and producing violent fluc-

tuations in money rates the redistribution has been affected with both time and call rates held surprisingly stable. The economists underestimated the ability of the banks to meet the conditions created by such withdrawals. Thus, the New York banks covered themselves with credit by taking over this responsibility which was formerly theirs but which they might conceivably have dodged with the argument that it now belong to "others." *Commerce and Finance*, Nov. 6, 1929, p. 2390:1.

#### **Utilité De L'Observation Du Mouvement Général Des Affaires**

It is essential for the heads of modern enterprises to be able to foresee economic trends.

A rational basis may be given to the forecasting of economic trends by the study of the indexes and their cyclic relation. Three methods of forecasting: economic forecasting as a guide to buying, selling and publicity. By Lucien March. *Fourth International Management Congress Proceedings Mémoire CI, Section Commerce*, p. 3:6.

#### **The General Management Investment Trust; How it Differs from Other Types**

The distinguishing qualities of the general management investment trust are the following: A portfolio which may include a wide variety of securities, call money, commercial paper and bankers' acceptances, as well as stocks and bonds; both civil and corporate obligations; foreign securities as well as domestic, thus furnishing that security which broad diversification makes possible; a continuous management of this portfolio by men who are thoroughly trained, experienced, internationally minded and who are provided with regular and pertinent business and economic data on which they can base their decisions in regard to any changes in the portfolio of the investment trust. It is a fundamental principle followed by sound general management investment trusts never to buy on

margin nor to sell short. The general management trust is an investment and in no sense a speculative institution.

A detailed explanation follows of how the general management type differs from the fixed and semi-fixed types, the holding company, the finance company, the trading company, and from hybrid institutions. *The Annalist*, Oct. 4, 1929, p. 639.

#### **Cost Accounting for Distribution in Retail Grocery Stores**

A method of cost accounting for the retail grocer was developed during the course of the work on the Louisville Grocery Survey by the Domestic Commerce Division of the Department of Commerce. All costs were thrown into three major groups as follows:

1. The costs of maintaining an established stock. Some of the recognized cost factors that were thrown into the general group of maintenance were interest on inventory investment, rent, depreciation on fixtures, cleaning and repairs.

2. The movement group of costs. This includes all labor expended directly upon commodities. Movement, as here used, is intended to include selling, physical handling in the store, delivery, routine buying, order assembling and other related functions.

3. Credit cost was set up as the third cost group. Under this heading was placed cost of collections and credit accounts, bad debt losses, and interest on outstanding accounts. By Wroe Alderson. *N. A. C. A. Bulletin*, October 1, 1929, p. 119:10.

#### **The Return to "Normalcy"**

Surgery may remove a health-sapping growth from the body, but it is a shock to the system nevertheless. Those who preached "perpetual prosperity" a few weeks or months ago are now saying: "Behold, we have all tangible things that we had before!—Money, credit, prosperity, labor!"—and so we have, but under different conditions. Our convalescence from the "speculative debauch" may be rapid and

complete, or it may be slow and partial; the resources, the industries, the energies, are still here; but the confidence that lies behind all health is not quite the same.

Producing and distributing, buying and selling real things, building and improving physical properties, in substantial but slow ways, is the safe, sure means of return to "normalcy." The dream is over. The craze is spent. Business now is business. *The Commercial & Financial Chronicle*, Nov. 9, 1929, p. 1917:2.

### Investment Trusts and the Collapse in Stocks

Investment trusts probably created the condition which resulted in the crash and collapse of stock prices last month, but if so they did it without being in any true sense responsible for it.

In the late summer and early autumn, while stock prices were reaching their highest levels, investment trusts floated new stock issues amounting to over a billion dollars. Investors readily bought these new issues, but in very many instances sold stocks of other sorts in order to get the funds with which to do this. This finally tended to soften stock prices in general, as the selling was not offset by investment trust buying since the managers of these trusts realized that the prevailing prices of securities were too high. Instead they loaned the funds turned over to them by the public to brokers, and waited for lower market prices.

The traces of the developments leading up to the crash can be followed clearly:

(1) There was the selling to the public of a billion dollars of investment trust stock in August and September. (2) There was a persistent softening of other stock prices in the latter weeks of that period. (3) There was the sudden appearance of a billion dollars of increase in loans made to brokers. (4) There was a great crash in stock prices, and (5) in the week when greatest declines were made a billion dollars came out of brokers' loans, presumably largely reflecting the buying of securities by the investment trusts with the money the public had entrusted to them in August and September. *The Cleveland Trust Company Business Bulletin*, Nov. 15, 1929.

### Successful Methods for Presentation of Cost Data

In the successful presentation of cost statistics that are accurate and current, a distinction must be made between the classes of executives to receive the reports, and these reports must be gauged to the comprehension and the type of mind of the executives in each class. Study should be given to the form and appearance of the report to convey maximum visualization. The cost accountant, himself, should develop the executive point of view and look at his reports through executive eyes. In capitalizing all of his opportunities, in the development of his clerks, of himself, and of his executives lies the real success of his cost system. By Gerald A. Torrence. *N. A. C. A. Bulletin*, Nov. 15, 1929, Section 2, p. 354:5.

## OFFICE MANAGEMENT

### Organization: Job Analysis, Employment, Pay, Tests

#### Psychotechnik in Der Berufsberatung

The following are five problems which the psychological testing laboratory of Ausig (Czechoslovakia) has dealt with in the course of practical experiments in the choice of professions by means of psychological observation.

1. Certain seasons of the year found to be more appropriate than others for the carrying out of certain tests for professional aptitude, e. g., general intelligence tests should be carried out in schools in winter.

2. The influence of atmosphere and sur-



roundings to be taken into account in each individual case.

3. The influence of the home.

4. The atmosphere of the home plays an important part in influencing the choice of a profession.

5. Fixing of psychological prototypes to assist in fully understanding the personality of subjects. By Dr. Walter Simon. *Fourth International Management Congress Proceedings, Mémoire XXVI, Section Enseignement Et Questions Générales*, p. 3:6.

### **Training and Education: Schools, Libraries, Employee Publications**

#### **The Vatican Library**

The librarian of the Federal Reserve Bank of Boston found a strange mixture of the old and the new in the Vatican Library. There is the old catalog, so laborious to make and so slow to use, contrasted with the new catalog, the completion of which is still far in the future. In the recesses of the stacks, equipped with portable electric lights, there is a modern Otis elevator, of which the guide was very proud, but did not know how to run. There are new steel shelves installed by an American company in the old gallery designed by Bramante in 1512, which had been used for many years as a passage and later as a stable. One of the interesting modern devices installed under Pope Pius is the electric heating apparatus built by the General Electric Company at Schenectady that will keep the books moist in winter and dry in the damp heat of a Roman summer.

There is a small group of men employed in restoring and mending manuscripts. They have made repairs for other institutions, including fifty Coptic manuscripts for the J. P. Morgan library. One of the workmen there had formerly been em-

ployed in the Morgan library in New York; the repairing is more a work of art than of mere hand labor. By Marion Goodwin Eaton. *Stone & Webster Journal*, November, 1929, p. 608:8.

#### **The Library Mission of Magazines**

In case of fire the librarian might well cry, "Save the magazines, let the books burn!" They form the backbone of a library's reference section and facts can be dug out of them which have never found their way into any book. The broker who needed the price of United States Steel Common on July 2, 1917, was not referred to a book but to the *Commercial and Financial Chronicle*. An engineer wanted to know to what depth an oil well has been drilled. No book contained this information, but it was found in the *Oil and Gas Journal*.

The Technology department of the Carnegie Library of Pittsburgh spends more than half its book fund for periodicals, as without them it could not function. Even monthly magazines are too old for the engineer or chemist, and he seeks weeklies. By Ralph Munn. *Wilson Bulletin*, October, 1929, p. 59:2.

### **Benefit Systems and Incentives: Pensions, Profit-Sharing, Suggestions, Vacations, Stock Ownership**

#### **Non-Financial Incentives Important**

The success of an incentive plan is not insured with merely the apportionment of financial reward to the "above par" worker. Financial incentives must be complemented by non-financial ones; the two factors are inseparable since psychological effects may accentuate or nullify economic considera-

tions. Good management is absolutely essential to the success of any incentive plan. The kind of group bonus is no less important than the kind of individual incentive in determining whether the workers are to be led or driven. Standardization of conditions with a maximum of constants and a minimum of variables is necessary. Also,



the way the plan is presented and the way it affects individuals must be coordinated with the whole problem of management. The Metropolitan Life Insurance Co., in its group bonus plan, uses costs as a basis for the incentive. Both gains and losses are shared fifty-fifty with the company; losses must be made up within four weeks. Payments are made on the basis of salaries. This plan has been

found to be quite effective, saving the company \$1,750,000 so far this year. It has also, in the opinion of the executives, developed in the managing heads the ability to manage. The overhead caused by the scheme is only one-half of one per cent of the bonus payment. Meeting of the N. Y. Metropolitan Section of the Taylor Society. *The Iron Age*, October 31, 1929, p. 1175:2.

### **Records: Forms, Charts, Cards, Files, Statistics**

#### **Cost Methods That Give the Executive Control of His Business**

No executive can afford to spend the greater part of his time studying statistics, but it is only common sense to review the different sections of his factory situation periodically, with the idea of assuring himself of their progress according to plan, or of planning future steps of progress. With this in mind Mr. Berliner presents those statistics which he considers necessary for the executive—statistics of sales and production, of completion of sales by shipment, of waste, labor operations, and expenses there shown. Suggestive tables accompany the article. *Pit and Quarry*, October 23, 1929, p. 53:4.

#### **Daily Control Sheet for Executives**

The purpose of the Daily Control Sheet is to give an executive, day by day, the significant facts concerning his business.

By means of this sheet, the essential figures concerning finances, orders and shipments, production and operations are presented to the executive in summarized form.

Under finances information is given concerning cash receipts, cash disbursements, bank deposits and balances, bank loans, accounts receivable, accounts past due, and the accounts payable.

The production orders and shipments section presents information on the present day's status, the month to date, and the same period last year.

Under operations, information is given the executive on the time lost in operation and on the material scrapped or spoiled. The number of employees by occupation is presented—both the actual and the standard—and the number hired and discharged.

An illustrative form accompanies the article. By Waldo Hutchinson. *Pit and Quarry*, October 23, 1929, p. 80:2.

## **PRODUCTION MANAGEMENT**

### **General: Promotion, Organization, Policy, Development**

#### **Fred Harvey: Applying Factory Methods to Serving Meals**

A description of features which have made this chain of restaurants a success. Rigid standards in quality are maintained and the chefs undergo a thorough training. A meticulous purchasing system provides foods of the best quality with a minimum of waste. The morale of the employees is

noticeably high and they are thoroughly imbued with the idea of giving quality service. By A. Van Vliissingen, Jr. *Factory and Industrial Management*, November, 1929, p. 1083:3.

#### **I'd Rather Run a Small Business**

The president of the Crystal Tissue Company says that a small business will

earn satisfactory profits if emphasis is put on the management jobs that offer the best opportunities. Three basic rules for the small manufacturer are: 1. Make the best product in your field; 2. watch costs, fight them with daring; 3. keep in close touch

with shifting markets, and manufacture always with particular emphasis on salability. By Z. W. Rauck. *Factory and Industrial Management*, November, 1929, p. 1063:3.

### **Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration**

#### **Prosperity—Believe It or Not**

This is the third in a series of articles on "American Prosperity." Summing up the findings as to the share of labor in present day prosperity it is stated that wages as a whole are tending slowly upward; that wages as a whole are increasing faster than the cost of living, without allowing, however, for the new standard of living; that the share of the working class in the total national income was, up to 1925, neither increasing nor declining; that savings are increasing, but large reservations are in order in respect to the net increment to the working class; that the share of labor in corporate securities is negligible; that the average industrial worker receives about \$1,500 a year, with large variations vocationally and geographically; that the only real prosperity has come in the ranks of certain skilled workers; that family income is normally greater than head-of-the-family income. By Stuart Chase. *The Nation*, November 13, 1929, p. 545:2.

#### **Organization to Curb Unemployment**

At the Institute of Politics during August a nation-wide organization was initiated designed to impress every community with the necessity of planning in advance the construction of public works so that when certain indices show the approach of industrial depression, credits for these works may be released and unemployment may be relieved. It is understood that the plan to be put in operation, known as the Foster-Catchings plan, has the full support of President Hoover. Doubtless the initiative taken by governments in starting pub-

lic works would have important psychological effects upon private industries, for the latter would be encouraged to resume work in the knowledge that public expenditures for wages and materials would stimulate the markets for all sorts of goods. It is recognized, furthermore, that the success of the project depends largely upon the development of leadership in private business.

Professor T. E. Gregory of the London School of Economics believes that while our prosperity is overstated the wonder is that we are not more prosperous. However, this felicitous state will involve a greater co-ordination among industries than at present, and a more equitable distribution of the returns of the various industries. *Information Service*, October 26, 1929.

#### **Age Barriers for Workers Create Social Burden**

The Governor of West Virginia says that, "Today, we are face to face with a movement that may culminate in an unemployment situation far more serious than any we have experienced heretofore. For many years employers of labor, whether for executive, clerical or manual work, have refused to employ men and women over 40 years of age, regardless of the experience those men and women might have had, regardless of their ability, regardless of their physical capacity, regardless of competency, efficiency, thrift, honesty, industry and loyalty.

From the standpoint of the State, the creation of an arbitrary artificial low age barrier affords a serious social problem,

and one that is totally unnecessary. From the standpoint of the employer, the creation of an artificial low age barrier necessarily results in an enormous economic waste and must, eventually, bring about additional tax burdens, which are now too great.

The employer who deliberately closes his eyes to the economic and social dangers

of this tendency of creating an arbitrary low age barrier to employment invites trouble. It is far better that men and women earn a livelihood than become a charge on the community. Men and women must be supported somehow. The creation of such a social burden is unnecessary, uneconomic and unwise. By William G. Conley. *U. S. Daily*, November 2, 1929, p. 16.

### **Employment: Classification, Selection, Tests, Turnover**

#### **Turnover of Labor Is Affected by New Textile Mill Devices**

A review on textile mills prepared by Mrs. Ethel L. Best, industrial specialist of the Women's Bureau, Department of Labor, and made public by the Bureau November 15, reports the new so-called "stretch out" system recently adopted requires women workers to operate approximately twice as many machines as they did under the old system but the amount of work necessary for each machine has been lessened by automatic devices. In two of the four mills covered by the survey the result of the adoption of the new method was a lower absence rate but a higher turnover rate. In the third mill the new method appeared responsible for slightly higher lost time and turnover rates than the old. Mill No. 4 showed more lost time under the new system than under the old. Turnover increased immediately after the installation of the new method but after a period of eight months fell lower than formerly. Dissatisfaction at the change caused many women to quit their jobs immediately after the inauguration of the new plan but after several months' time fewer left the department though more time was

taken off. *The United States Daily*, Saturday, November 16, 1929.

#### **Urges Job Analysis for Older Workers**

It is the duty of every business firm to make an analysis of positions which can be filled satisfactorily by older people. Places found suitable for them should be reserved as far as possible. Employers must do something practical about this important problem instead of merely sympathizing with the man out of a job. The middle-aged employee who finds himself jobless because of a merger or through a reduction in the working force must not give way to panic. By summing up the situation calmly and planning a definite campaign before starting the search for another post, he will give himself a much better chance of reaching his objective promptly. The older worker would do well to apply first to the smaller companies as the chances of employment are usually better among them. He should stick to his own line of work as much as possible as the asset of experience will help to balance any prejudice against him because of age. By C. R. Dooley. *The New York Times*, November 10, 1929, p. 6N.

### **Employee Service: Hygiene, Recreation, Lunch Rooms, Stores, Safety**

#### **Boredom in Industry**

This paper summarizes the results of experimental enquiries into the nature and causes of boredom and suggests remedies for it in the case of factory machine operators engaged in repetitive work. In-

dividual differences determine in large measure the degree of boredom experienced. The existence of noted variations in intelligence, temperamental tendencies, and ability to mechanize a task provides important problems for future research. Not all

workers are subject to boredom but after two hours at the same task most operators become restless and continue work with effort or reduced efficiency. Boredom is experienced less in the afternoon than in the morning. The mechanisms underlying boredom appear to be illuminated by a temporal illusion noted in bored workers: Time elapsed is over estimated. The nature of the task contributes to boredom: operations involving attention and adjustment in response to varied situations are in general less boring than those requiring only intermittent or partial attention; while tasks so automatized as to permit uninterrupted mind wandering seem to produce—in workers temperamentally suited to repetitive

work—a minimum of boredom—which suggests a means for its avoidance. Keeping pace with a rhythmically operating machine; teaching the operator the importance of the work he is doing; supplying material in small lots rather than in an endless flow along a belt; improving working conditions, both for the prevention of unpleasant day-dreams about the job and for the development of pride in the organization and satisfaction in the job are all indicated remedies for the dissipation of boredom. Facilities for developing a richer life outside the factory will be provided by employers interested in the development of the worker as a citizen. By S. Wyatt. *The Personnel Journal*, October, 1929, p. 161:11.

### **Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards**

#### **Industry Specifies Its School Training Needs**

The Engineer of Industrial Economy, Eastman Kodak Company describes in this paper a cooperative educational experiment being carried on by the industries of Rochester, N. Y., and the Rochester Mechanics Institute. It covers conditions leading to a survey by industry of its educational training needs, the appointment of a committee for this purpose, and the resulting detailed recommendations.

It was found that while educational requirements for major executives and for the great base of industrial common labor are now fairly well covered by educational institutions, there is an important intermediate field in which are the junior line and staff executives, which as yet has not been adequately covered.

Specifications expressed in terms of the qualities desired in the Institute's graduates were formulated, together with detailed recommendations covering training method and course content which in the judgment of Rochester industries would best meet these specifications.

Industry's obligation in training the co-

operative student within the factory is acknowledged, and recommendations are outlined to make the Institute most effective in its service to Rochester industries and to lead to the closest possible cooperation. By Virgil M. Palmer. *Management Transactions of the A. S. M. E.*, May August, 1929, p. 97:5.

#### **Educational Systems for Industrial Employees**

The training of employees in a systematic manner was begun at the Fort Wayne Works of the General Electric Company in 1913, with the establishment of an apprentice system. Since then the educational program has continued to grow and the number of employees participating has increased from year to year until now there are over 1,000 employees taking up work in the courses offered. If 15 employees ask for a specific subject the class is arranged and an instructor provided. In the apprentice school a four-year course for tool-makers, patternmakers and machinists is arranged. There is a three-year course for electrical testers and draftsmen. A training school for special machine operators has

been operated at the Fort Wayne Works of the company for 12 years. The demand for draftsmen is often so great that it has been necessary to train a group of carefully selected young men to become draftsmen quickly. Students are paid spe-

cial and rather high rates while learning. This method of training is supplementary to the regular three-year apprentice course and is used only when it is necessary. By W. J. Hockett. *Radio Industries*, November, 1929, p. 365:3.

### **Benefit Systems and Incentives: Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership**

#### **Insurance Planned in Electric Trade**

Plans for group life insurance, old age pensions and total disability insurance covering all union electrical workers in Greater New York, to be furnished at no cost to the worker, have been formulated by the Electrical Contractors Association of New York and Local Union 3 of the International Brotherhood of Electrical Workers. A fund will be raised through assessment of all electrical contractors employing union workers, the plan calling for contributions from each firm to the amount of 20 cents for each hour worked by each employee. The arrangement includes provision for the shifting of union workers from one employer to another, according to the exigencies of building conditions, while they still maintain their right to group insurance.

Benefits to the workers will consist of a regular life insurance policy of \$3,000, with a \$40 monthly pension for those of the age of 65 or more, and \$30 a month paid to those totally disabled. It is believed that this plan will tend to eliminate strikes among the electrical workers who benefit by its provisions. The *New York Times*, October 26, 1929, p. 19.

#### **Westinghouse Plan Adds to Pension Aid**

The Westinghouse Electric and Manufacturing Company has developed a new annuity payment plan for employees who retire at the age of 65 years or older. This plan is described as one of the largest in scope and one of the first of its type to be established anywhere. It provides that an employee will not only receive from the

company an earned reward for length of service, but also an opportunity to buy additional retirement income for himself at a favorable rate. It offers no obstacle to the employment of the older workers, as every employee reaching his retirement age receives his proportionate income. The company's part of the cost of the plan will be paid into a fund as a regular operating expense of the company. A contractual agreement is set up which binds the company to do its part irrespective of what employees may do. At the expiration of each year of service the employee will receive an annuity certificate entitling him to a number of units of income after retirement. Each unit will yield \$1 a month beginning at the retirement age and lasting for life, the number of units he receives depending on his salary or wage. A striking feature of the plan is that the employees who have been retired are absolutely assured of receiving their income for life because cash for this purpose is turned over by the company annually to the board of trustees. The *New York Times*, October 27, 1929.

#### **Five Reasons Why Our Workers Never Leave**

Company efficiency gained through worker efficiency has been the aim of the Samuel Jones & Co., Ltd. In this firm cooperation between management and workers has been treated in the same way as any other business proposition.

Responsibility is placed upon individual workers, relieving the department managers of detail and at the same time giving each member of the working force a feel-



ing that he is something more than just a cog in the wheel. An economic wage, fair to both worker and industry is essential to the successful management of any business, according to the Works Manager of this company. It makes for contentment in the worker and without that real co-operation is impossible. Samuel Jones & Co. pay a wage dependent upon the type of work the man is doing and upon his skill. Over and above this minimum a bonus is paid. To take care of the risk of a quan-

tity rather than quality output a bonus is paid on wastage, the bonus increasing as the wastage decreases. Conferences are conducted for all workers; these however are never mixed, each class of worker having its own meeting. The Works Manager is kept in complete cognizance of every necessary detail through the General Office Record Book and the Waste Percentage Book, to which data are transferred at the end of the month. By A. J. Jenken. *Business*, October, 1929, p. 177:2.

### **Shop Organization: Planning, Methods, Job Analysis, Standardisation, Waste**

#### **Management Applied to Materials Handling**

The Director of Staff of the Works-Managers Committee, General Motors Corporation, tells of the coordinating production, engineering, power, maintenance, and design problems undertaken by the Committee. A staff of experts in production-engineering work, wage incentives, maintenance problems, etc., considers various phases of materials handling and devise methods for taking up slack to prevent undue accumulation, and provide rapid and efficient movement of materials through the plant. Other papers presented at this management and materials handling meeting of the A.S.M.E. were: Materials Handling in the Forge Shop of the Chevrolet Motor Company; Materials Handling in General Assembly at the Oakland Motor Company; Plate-Glass Manufacture by the Continuous Process; Conveyor Systems used in the Production of Electrical Devices, in a Stove Plant and in a Washing Machine Factory. *Transactions of the A.S.M.E.—Materials Handling*. May-August, 1929.

#### **Die Handwerkerliche Rationalisierung**

This paper deals with small workshops and their rationalization, including rationalization of raw materials and the checking of deliveries, rationalization of manufacture (a) the human factor; (b) tools and ma-

chines; and (c) workshop organization. The paper is illustrated by charts and tables. By Dr. Bandat. *Fourth International Management Congress Proceedings, Mémoire LXXVIII, Section Industrie*, p. 1:8.

#### **What Obsolete Equipment Costs**

Carefully considered purchases of modern machine tools and equipment in industry will bring far greater and sounder returns than speculative corporation loans in the present or any other call money market. Obsolete equipment causes material and monetary losses of tremendous amounts.

In one case alone—that of a modern turret lathe replacing an older slower turret of another make—this one piece of equipment netted its owners annual savings of 172 per cent on the investment. An electrical manufacturer producing small transformer laminations on five 25-ton dieing machines at a rate that would require 13 hand-fed punch presses, effected an annual saving of 278.6 per cent on the investment by the installation of new equipment. In another electrical plant a 50-ton machine producing rotor and stator laminations for electric motors on dies which are interchangeable with those of No. 5 punch presses used formerly for the entire production netted its owners a saving of 177 per cent on the investment.



Were these machines located in one plant the fortunate management would be showing the proud and prosperous directors a total yearly saving of more than 200 per cent. These savings have been worked out by the Warner & Swasey formula. Using the A.S.M.E. or the S.K.F. formulas slightly different figures would result. *American Machinist*, November 7, 1929.

#### **La Rationalisation, Appliquée Au Tronçonnage Et Au Découpage De La Matière Première**

The graphical methods shown in the paper are a guarantee of the "rational employment" of raw materials in factories producing in small or medium quantities. Only factories producing on a large scale can employ models which leave little waste in the cutting or stamping.

This waste becomes insignificant whatever relation may exist between the sizes of models in the raw materials and the size of the manufactured products.

It would appear that up to the present specialists have not sufficiently studied the question of cutting, although, in certain cases, raw materials by reason of their high-cost or simply by their importance with regard to workmanship, are a very important item in the cost-price.

Our idea in publishing these methods is to draw the attention of all manufacturers who are seriously preoccupied by the decrease of their stocks of raw materials or by the question of their cost-prices. By M. Albert Pont. *Fourth International Management Congress Proceedings, Memoire LXXIII, Section Industrie*, p. 1:5.

### **Production Records: Time Cards and Performance Records**

#### **Production Control**

The vice president of the Indiana Limestone Company describes the system of production control in effect in 24 mills. The infinite amount of detail involved is divided among many men, bringing each of them into as direct contact with the customer's necessities as possible. A weekly report is made by each plant superintendent, showing accomplishment checked against schedule. The philosophy back of this plan of control includes: localizing detail; comparing units thus developing team work; not interfering with the men; keeping control records simple and seeing that every responsible man gets the facts he needs. By Gustav Stieglitz. *Factory and Industrial Management*, November, 1929, p. 1091:3.

#### **Controlling the Manufacture of Parts on Order and for Stock by the Gantt Progress Chart**

This paper deals with two special applications of the Gantt progress chart in controlling production. The first shows the plan for the manufacture and assembly

of parts on an order, and the progress of work in accordance with the plan. The arrangement of parts on this chart follows the natural order in the assembly of the product. The proper relationship of parts to each other and to the whole is made visible by a system of marginal indentations. This makes it possible to show by one line for each part the amount of stock on hand and in process, and the amount of time ahead or behind schedule. It also shows the time of starting work on each operation without the use of additional bars, thus condensing the chart.

The second chart is constructed essentially like the first one, but is designed for the case where manufacturing for stock is already in progress; that is, parts are being made both continuously and intermittently for continuous assembly at a uniform rate. This chart is designed to show the current condition of stores and parts in process, and the amount of time behind or ahead of schedule for each part and assembly. The method for laying out the chart is fully explained.

The function of such charts is to bring in

advance to the attention of the executive those things which require action, and thereby eliminate the necessity of following up after delays have occurred. The charts measure the progress made on the manu-

facturing program, and in so doing they also serve as measures of executive ability. By David B. Porter. *Management Transactions of the A. S. M. E.*, May-August, 1929, p. 105:5.

## MARKETING MANAGEMENT

### Retail Failures Traced to Neglect to Use Statistics

Business men must have precise knowledge as to operations, trends, costs, methods and everything else, for guess work is gambling and we have recently seen the overwhelming disaster that can descend on the gambler-speculator in business. The Assistant Secretary of Commerce says that the Department is now engaged in making a national retail credit survey which should help to correct much that has been wrong in our retail system. This survey will be impartial and will hold no brief for any class or element in the enormously complex system of merchandise distribution that exists in the United States today. The retailer must know as much about the cost of the several operations in this business as the manufacturer knows about his factory production costs. With exact records available the retailer will often awaken abruptly to the fact that certain of his practices are unprofitable and dangerous. Speech by Dr. Julius Klein. *U. S. Daily*, Nov. 4, 1929, p. 1 and 5.

### Killing Profits by Cost Reduction

Cost reduction is a very good thing especially in these days when margins of profit are so small that it is essential that expenses be shaved. But it is harmful if taken in doses that are too large, or if it is considered as the one and only cure for business ills. The proper attitude toward economy is discussed by the presidents of the Midland Steel Products Company and the Otis Steel Company; the Remington-Rand, Inc.; the Coca-Cola Company and the White Motor Company; in regard to the buying procedure of the Western Union

Telegraph Company; the policies of Henry Ford; the work of the General Electric Company. The point of view from which the problem is approached is probably more important than the time devoted to it. A defensive attitude on the part of a business is almost always sensed by its customers. By Wm. A. McGarry. *Printers' Ink*, November 7, 1929, p. 3:5.

### The Suburban Trend

The decision of the Strawbridge & Clothier store, of Philadelphia, to establish a million-dollar branch store in a suburb of Philadelphia located some ten miles from the center of the city is of considerably more interest than would appear on the surface, for it marks a distinct advance in a movement which has been gaining momentum for some time past.

While it is true that a number of prominent stores throughout the country—stores like Marshall Field, William Filene's Sons and others—have had similar branches for some time past, the strongly conservative element in the retail field has not been quick to respond to the suggestion that auxiliary establishments of this nature would be a profitable venture. In fact, it was less than a year ago that Strawbridge & Clothier issued the rather surprising statement that they would not only remain where they have been for many years past but that they intended to erect a new \$7,000,000 building on the same site, an ultra-downtown location well removed from the section of the city to which trade of the next ten years was expected to be attracted.

Now comes the announcement of the erection of a "suburban branch store," de-

signed specifically to meet the needs of the community in which it will be placed and, at least presumably, affording greater ease of access to those who find it inadvisable for one reason or another to come into the city for their purchases. In these days of widespread traffic congestion, not even the suburbs can be considered free of parking difficulties. But with the increasing tendency toward suburban expansion of residential communities and the greater difficulty of movement in congested shopping districts, the probability is that the passage of only a few years will find the centrally located "branchless" department store distinctly in the minority, while the establishment of these auxiliary outlets will serve further to complicate the struggle between city and town units for the trade of those residing outside the former. Certainly branch stores of this type will be susceptible to greater flexibility and adaptability to their clientele than will the larger and more unwieldy parent units. *Retail Ledger*, Second October Issue, 1929, p. 4.

### The So-Called "Eleven Points of Chain Superiority"

The independent stores can duplicate most of the eleven points which are given, however, and with the aid of wholesalers can achieve all of the others: 1. Trained employees. 2. Clean stores. 3. Fresh goods. 4. Convenient location. 5. Centralized buying. 6. Complete stocks. 7. Small investment in stock. 8. Better store arrangement. 9. Better selling and advertising. 10. Elimination of credit and delivery. 11. Lower operating cost. By Flint Garrison. *The Red Barrel*, October 15, 1929, p. 23:5.

### Do We Unconsciously Encourage "Invisible" Competition?

The desire for the ultimate, that exclusive something, among Americans, is bringing about a serious situation in American business. Paris for women's fashions, Germany for toys, England for men's clothes, and other European countries have always spelled pre-eminence in our eyes. A few

years ago the average business man did not need to worry about this foreign competition. But with the extension of style into many industries it has greatly broadened in its scope. To maintain the proper balance in exports and imports certain measures are necessary. First, is tariff readjustment. Second, the American advertiser should seek to counteract European influence. The American consumer is in need of an education which appeals to the pocketbook and to the intelligence rather than to pure patriotism. As told to C. B. Larrabee by A. W. Tripp. *Printers' Ink*, October 31, 1929, p. 93:4.

### What the 1930 Census of Distribution Will Do for Industrial Marketing

It must not be thought that the 1930 census of distribution will solve the manufacturer's distribution problems, nor will it tell him what he ought to do in order to solve them. But it will provide a new kind of data on which he can base constructive study of his present merchandising situation and plan ahead. Just as the advertising and sales manager must study his product, so should the manufacturer study the statistics which will be brought out in the census on the volume of sales in lines of related products and commodities. One of the advantages of the census will be in enabling the manufacturers to analyze their distributors. Very few today have any conception of what proportion of the total business in the national or in the local markets should belong to them. The educational influence of the census will be another factor as it will get men to thinking about the classification of sales, sales control and schedules. By F. M. Feiker. *Class and Industrial Marketing*, November, 1929, p. 54:2.

### Facts to Replace Guesswork in Distribution

Something is being done regarding the costs and wastes of distribution. Mr. Barber reviews the last eight years which have offered to us "Population and Its Distribution", by the J. Walter Thompson

Company; "Sales Quotas", by the Crowell Publishing Company; and "The Development of a Basic Purchasing Power Index by Counties", by H. G. Weaver of the General Motors Corporation and the progress made on the Census of Distribution.

There is a definite promise of more tangible materials by which to determine the best methods of distribution. The Census of Distribution will greatly strengthen the foundation upon which business men can build a greater future. By Joseph H. Barber. *Boston Business*, November, 1929, p. 6:2.

#### **The Manufacturer's Marketing Cost**

The Dennison Manufacturing Company divides its marketing costs into two groups: order getting costs; and order filling costs.

Order filling costs are computed by item; by order; by customer-month; by letter; by thousand cubic inches (cost of packing material, warehouse space, physical handling of the produce); by dollar per sales; by clerical services. Standard costs have been set in most instances.

Order getting costs are broken down into four parts: selling costs by salesmen's calls; advertising costs; mail order costs; retail store costs. Selling costs are analyzed by towns and customers, by merchandise items and lines, by one method of selling as compared with another.

The article contains sections on Time Study of the Salesman's Job; Allocation of Joint Costs; Comparing Marginal Cost with Marginal Yield; Relation Between Cost and Selling Price. By E. Stewart Freeman. *N. A. C. A. Bulletin*, November 15, 1929, Section 1, p. 331:23.

### **Sales Promotion: Letters, House Organs, Advertising**

#### **Urges Planning to Cut Waste in Advertising**

Kenneth Collins, executive vice-president and publicity director of R. H. Macy & Co., Inc., says that of the approximately \$860,000,000 spent on retail advertising last year, about one-fourth was wasted. This vast amount of money is wasted because the public is bored with most of the advertising. The public wants brevity and it wants facts about merchandise. He added that progress is being made, but that it is not rapid enough, in view of the millions at stake. *The New York Times*, November 16, 1929.

#### **What Is a Good Mailing List?**

Many firms would not recognize a good mailing list if they met it face to face in the street. This is because they do not use real mailing lists, but merely lists of names. They have even been known to remove the names of their good customers from the list. The more names there are on the list of people who buy, and the

fewer names of people who do not buy the better will be the mailing list, and the more profitable the mailing. Experience has shown that the best prospects for more business are customers. The next best are prospects. The third best are suspects. Hints are given as to how these different lists should be procured and handled. By Dean Burgess. *Postage and The Mailbag*, October, 1929, Section 3, p. 3:9.

#### **What Direct Mail Can Do**

The most important function of direct-mail is that of either supplementing, or taking the place of, personal contact, for the purpose of talking to, or selling to, a list of potential buyers. When direct-mail is viewed from the selling angle, its function automatically parallels that of personal salesmanship, which is the most important tool in business. To be effective, it must first of all sell goods or services. It must develop interest, contact customers, break down sales-resistance, and above everything else, it must reduce the cost of

personal salesmanship. The one essential difference between the function of direct mail and a salesman's calls is that it takes an average of from 5 to 8 mail contacts to equal the full value of a personal call, but these contacts cost much less than the average personal call. By Jean Blum. *Postage and The Mailbag*, October, 1929, Section 1, p. 5:3.

#### **Device Is Developed to Aid Retail Sales by Vending Machines**

A magnetic slug-detecting device, which it is believed will revolutionize the coin-operated machine industry and open new and broader fields for automatic retail merchandising, especially of standard packaged goods, is to be manufactured within the next few months by a large American company, it was stated orally October 19 by J. A. G. Pennington of the specialties division of the Department of Commerce.

This device, patents on which are pending, accepts only genuine coins and discards counterfeits by a simple principle which distinguishes the coin by the par-

ticular alloy from which it is made. An entirely new type of permanent magnet had to be developed for the perfection of the device, reports received by the division stated, since the ordinary commercial magnets were found to be too weak for the effectiveness of the slug-detecting method employed, it was stated.

While the production of coin-operated machines has increased steadily in the past few years and reached a total of \$7,058,921 in 1927, their use has been checked to a considerable degree on account of losses through the insertion of counterfeit coins and slugs, Mr. Pennington said. Especially in the case of small-profit commodities were the insertion of a small number of slugs will wipe away profits, the reluctance of dealers to install the automatic machines has been most pronounced.

The new device will be especially beneficial to the merchandising of goods in change-making machines, which have been the target for counterfeit coins. Mr. Pennington stated. *U. S. Daily*, October 21, 1929.

#### **Benefit Systems and Incentives: Bonus Plans, Vacations**

##### **Bonuses—and Penalties—Insure Efficient Delivery**

To guarantee a high standard of delivery service to customers and to insure good care for merchandise and equipment the Wieboldt chain of three neighborhood department stores pay their delivery truck drivers three separate bonuses in addition to top salaries established for such work. The first bonus of \$15 monthly is paid for

services that directly affect the stores' relationship to customers. The second bonus is paid on tires. The third bonus is the one over which the drivers have the least control—mileage per gallon of gasoline—therefore, it is the smallest. Penalties are for lateness, false reports, complaints on discourtesies, careless operation of trucks, etc. By C. G. Hobart. *Retail Ledger*, First October issue, 1929, p. 5.

#### **Salesmen: Selection, Training, Compensation**

##### **A Method for Getting Practical Solutions to Sales Problems**

One of the most useful and scientific methods of arriving at practical solutions for sales problems that has been developed in recent years is the Difficulty Analysis Method. Every salesman has certain troubles or difficulties. A proper collection

and classification of them, together with the best solutions for each difficulty, will give the basis for constructing a sales training course designed to help the salesmen in overcoming their difficulties.

The new sales training course of the American Radiator Company was based on a difficulty analysis made during the course



of field visits. During this work 256 difficulties were listed and solutions noted. The results secured indicate that the method can be profitably applied. It points to the vital parts of any problem. By Richard C. Hay. *Printers' Ink*, October 17, 1929, p. 17:4.

### Visual Training

At a recent conference of the Research Bureau for Retail Training, University of Pittsburgh, the status of visual training was discussed. Conclusions reached by a study made by the Bureau are that this method reduces the necessary learning time, thus resulting in economy in the cost of training. Films are being used effectively in making precise job studies, and in recording work cycles. Opportunities for pioneer work in the use of visual materials are very great. The alert training director will not lose an opportunity to test the newer methods and see that they are given the proper setting in her store. The results will be not only better training, but a more interested group of employees. *Retailing*, November 9, 1929, p. 4.

### Can Anyone Teach Salesmen to Sell?

The logical person to instruct the salesman is the man who directs the selling policies, and the most valuable kind of instruction comes from a man who has made a success of selling and is able, by means of incidents chosen from his own career, to impart enthusiasm to his salesmen while at the same time demonstrating to them that the problems which face them are not new. One of the first considerations is the necessity of a complete understanding on the part of the instructor of the mentality with which he is dealing. By Frank E. Fehlman. *Printers' Ink Monthly*, October, 1929, p. 74:3.

### Coaching the Salesman in the Field

Many a salesman's training course bogs down because of a lack of follow-through. Often the salesman in the field is more in need of instruction than the recruit sales-

man taking his course at the factory or the office. The author points out some of the most important factors in this type of effort and shows how every good sales organization depends upon its ability to keep applying a continuous stream of sales instruction. It must not stop with instruction at the home office. By J. J. Witherspoon. *Printers' Ink Monthly*, November, 1929, p. 33:3.

### Training of Employees a Function of Management

An important function of management is training. A principle of good training is that it begins at the top with the executive group and extends downward, step by step, to the humblest employee. The classes of training which may be adapted to practically all kinds of business and industry are: Executive Group Training; Supervisory Training; Job Training; Safety and First Aid Training; Introductory Training for new employees.

The sales training program of the Peoples Gas Stores includes classes on Store System, Selling Methods, and Merchandise Information. Control of the training program is accomplished by means of records and reports. The store manager and squad captains make a weekly report to the Training Supervisor of their training activities for the period. The Training Supervisor in turn makes a summary report to the management of all training activities. *Better Business Methods*, September, 1929, p. 1:3.

### Wilson Brothers Unite Dealers to Teach Better Selling Methods

Wilson Brothers believed that any store could increase its volume and profit by applying the proper methods of merchandising, and so they organized groups of dealers for mutual benefit. There are many co-operative working agreements in existence between manufacturers, wholesalers and retailers, the most common of which is the organization of a group of independent retailers, sponsored by a manufacturer,



for the purpose of co-operating in buying, advertising and merchandising. Wilson Brothers "Concentrator" plan is one of these, but it goes further than others, and is distinctive for the emphasis it places on merchandising. The service department does everything it is asked to do. Some of the things it does regularly are: writes radio skits, analyzes inventory statements, prepares advertising copy, writes editorial matter for customers, compiles mailing lists, and plans campaigns.

Examples are given of stores which have been given thorough surveys. Results of this co-operation have proved very satisfactory both to member stores and to Wilson Brothers also. As told to D. G. Baird by Daniel H. Steele. *Sales Management*, October 12, 1929, p. 69:2.

#### The Distribution Director—A New Job in American Business

There is room in modern organizations for a new title, Distribution Director. This should be a title of dignity, responsibility, and executive authority, invested in one person whose sole concern is the broad subject of distribution and its many phases. He is the new focal point where advertising and sales policies meet and are adequately blended. He must be intelligent enough to understand, originate, appraise and execute sales policies, and also to understand the significance of advertising technique. The first test is whether or not one can sell its importance to executives, and the next step is whether one can qualify for the new job. By Lee H. Bristol. *Advertising and Selling*, Oct. 16, 1929, p. 20:2.

#### We Are Building Our Sales Forces Too Fast

Present-day salesmen must have as a background a good education and a thorough training in their particular line of work. It is not enough to believe merely that they can "sell anything." This is because buying has changed so radically during the last few years. Formerly, salesmen had to fight for the buyer's attention. To-

day, he is ready and willing to see every salesman, but at the same time he has no time to waste on the mere talker. The "professional" salesmen are perforce giving way to the men who may know little about salesmanship, but who do know their line. Obviously, such men cannot be turned out in a few days or a few weeks. By A. H. Deute. *Printers' Ink*, October 17, 1929, p. 57:4.

#### Should Junior Salesmen be Put Into New Territory?

The problem of missionary work in new territories and of finding the right men to do it, is not easy. Should the experienced man be used, the tyro, or should a regular salesman and a new hand go together? The experiences of several manufacturers using these various methods are described. By John Landels Love. *Marketing*, October 12, 1929, p. 210:2.

#### The Chain Store and Its Personnel

The untouched resource of personnel mind power will be the regulating factor in competitive chain store merchandising of tomorrow. The chain principle is one of multiples—multiple sales, stores and minds. In reality, the chain idea is not merely stores and merchandise—it is centralized control directing a chain of thought through the minds of a chain of men, who in turn reflect that thought in the minds of a chain of customers.

Men are now employed and told to sell merchandise when their knowledge of the goods is almost nil. And as to the general knowledge of chain store distribution and the various branches of marketing, it simply does not exist in the mind of the average store employee.

Chain operators want to pay their men more money. Leaders recognize that the industry's hidden value lies in its ability to raise the plane of employee compensation. This latent earning power now lies stagnant in their minds, waiting to be put to use through the right kind of training. By H. H. Lesticco. *Chain Store Age*, November, 1929, p. 46:3.

## Books Received

- Tips From a Thousand Salesmen.** A Collection of 250 Messages to Salesmen Based on Methods and Plans Used by Salesmen in Nearly All Lines of Business. By J. C. Aspley. Dartnell Corporation, Chicago, 1929. 252 pages.
- Employee Thrift and Investment Plans.** National Industrial Conference Board, Inc., New York, 1929. 114 pages. \$1.00.
- Everyday Economics.** A Case and Problem Book. By R. M. Rutledge. Houghton Mifflin, Boston, 1929. 457 pages.
- The Bureau of the Census—Its History, Activities and Organization.** By W. Stull Holt. Brookings Institution, Washington, D. C., 1929. 224 pages.
- Supplemental Bonuses for Wage Earners, Supervisors and Executives.** National Industrial Conference Board, New York, 1927. 60 pages. \$1.00.
- Operating Statistics for the Credit and Accounts Receivable Departments of Retail Stores 1927.** By Carl N. Schmalz. University of Michigan, Ann Arbor, Mich., 1928. 69 pages. 50 cents.
- Business and Ideals.** A Syllabus of Discussion Outlines for Groups of Business Employees. The Inquiry, New York, 1929. 91 pages. 75 cents.
- Fundamentals of Salesmanship.** By R. G. Walters. South-Western Publishing Company, Cincinnati, 1928. 320 pages.
- One Thousand Dollars a Second.** Stone & Webster and Blodget, Inc., New York, 1928. 31 pages.
- The Union of Polish Iron Foundries.** Annual Report for the year 1927. Wl. Lazarski, Warsaw, Zlota, 1927. 102 pages.
- Forged Checks and Drafts.** By Alfred L. Becker. Thomas F. Bowes, New York, 1927. 153 pages.
- The Standard Book on Cost Finding for Printers.** By Elmer J. Koch. United Typothetae of America, Chicago, 1928. 127 pages. \$5.00.
- The Financing of Business Enterprises.** By Avarad Longley Bishop. Harper & Bros., New York, 1929. 616 pages. \$5.00.
- General Sales or Turnover Taxation.** National Industrial Conference Board, Inc., New York, 1929. 204 pages. \$2.50.
- Standards of Departmental Performance in Department Stores, 1927.** By Carl N. Schmalz. University of Michigan, Ann Arbor, Mich., 1928. 26 pages. 50 cents.
- The Romance of Trade.** By A. W. Kirkaldy. E. P. Dutton & Co., New York, 1923 and 1929. 246 pages.
- The Americanization of Labor.** By Robert W. Dunn. International Publishers, Inc., New York, 1927. 272 pages. \$1.90.
- Proceedings of the International Conference on Bituminous Coal—November 15-18, 1926.** Carnegie Institute of Technology, Pittsburgh, Pa., 1927. 817 pages. \$7.00.
- Education and Philanthropy.** By John Alford Stevenson, Ph.D. Appleton, New York, 1927. 190 pages. \$2.50.
- The Human Machine in Industry.** By Richard T. Dana. Codex Book Co., New York, 1927. 312 pages. \$4.00.
- The Art of Speculation.** By Philip L. Carret. Barron's, Boston, 1927. 365 pages. \$3.00.
- How to Talk.** By John Mantle Clapp and Edwin A. Kane. Ronald Press, New York, 1928. 647 pages. \$5.00.
- Agriculture in the Chicago Region.** By Edward A. Duddy. University of Chicago Press, Chicago, 1929. 158 pages. \$4.00.
- Theatre Management.** By Sanford E. Stanton. D. Appleton, New York, 1929. 154 pages. \$1.50.
- Problems and Cases in Dealing With People.** By Calvin C. Thomason. Rochester Athenaeum and Mechanics Institute, Rochester, 1929. 94 pages.

- The Story of the Chain Store.** By W. D. Darby. Textile Publishing Co., New York, 1928. 159 pages. \$2.00.
- Betriebsanalyse.** By Dr. Kurt Schmaltz. C. E. Poeschel Verlag, Stuttgart, Germany, 1929. 243 pages.
- New York and Boston Bank Stocks.** By Bradford Dorr. Investment Trust Analyst, Inc., Cambridge, Mass., 1928 and 1929. 223 pages. \$2.00.
- Fundamentals of Salesmanship. Teachers' Manual.** By R. G. Walters. South-Western Publishing Company, Cincinnati, 1928. 96 pages.
- Agents Earnings.** By M. A. Linton. Bureau of Agency Analysis, Philadelphia, 1928. 78 pages. \$2.50.
- Price, Profit and Production.** By L. A. Rufener, Ph.D. Houghton Mifflin Company, Boston, 1927. 842 pages. \$5.00.
- Public Regulation of Competitive Practices.** National Industrial Conference Board, New York, 1925 and 1929. 320 pages. \$3.00.
- The First Thousand Dollars and Other Essays.** By Richard W. Saunders. The Bankers Publishing Company, New York, 1928. 168 pages.

## Survey of Books for Executives

**Foreman Training.** By George F. Mellen. McGraw-Hill Book Co., New York, 1928. 150 pages. \$1.75.

A number of the objectives of good foremanship are covered in this volume which is intended as a manual for leaders of foremen conference groups. The subject matter is developed out of the foremen training groups conducted by the Engineering Extension Department of the Pennsylvania State College in over a hundred industrial plants.

The topics discussed are: General Responsibilities, Production and Cost Responsibilities, Cooperation, Discipline and Morale, Interest and Satisfaction, Handling Men, Supervision, and Leadership. The work does not profess to cover all the important responsibilities of foremanship but is to be followed by a second volume containing chapters on Orders and Reports, Disturbing Types, Job Analysis, Safety, Waste, and Training.

For a text whose subject matter is derived from thousands of discussion groups where "innumerable typical cases and situations" were developed, the treatment is surprisingly general. It seems an opportunity has been overlooked to present a real case book, giving actual problems for discussion and solution. The summary at the

end of each chapter, for example, would have been more valuable had it given a list of cases or problems bearing on the topic under discussion. The text as it is adds little that is new to the growing body of foreman training material.

Some of the distinctions made in the chapter on "The Job—Its Responsibilities and Authority," appear rather forced and unimportant as for example, the classifications of (1) doing jobs, and (2) directing jobs, and the distinction between (1) specific responsibilities and (2) general responsibilities. The chapter on "Supervision" is one of the best in the book. The subject of planning of work handled rather superficially as part of this chapter is deserving of more attention as one of the major responsibilities of foremanship. The topic of selection and employment might well have been given a chapter to itself, rather than included as a point under the subject of "Handling Men."

In general, while most of the material presented in this text is good, and the principles of foremanship laid down are sound, the impression remains that the actual methods, measures and practice of foremanship have not received adequate attention. Possibly one clue to this is the view expressed in the foreword as to the purpose

of foreman training. "The purpose of foreman training," says the author, "is not to impart technical information concerning his job, but rather to develop, on the part of the foreman, a correct perspective of his relations to the men under his control and to the Management."

While a training program with this general objective does have some value, a practical training program cannot permanently be maintained on this basis. A training course for foremen must not merely inspire, but must make an actual contribution to their knowledge and technique as supervisors. A course which does not make definite contributions to his knowledge and technique falls short of its fullest possibilities and usefulness. In spite of the general purpose of foreman training as stated by the author, it is evident that much of the material included in this text is involved in the necessary knowledge and technique of a foreman's job.

RUSSELL N. KEPPEL, *Manager,*  
*Personnel and Training,*  
*Standard Oil Company of New Jersey.*

**Progressive Practices in Directing Learning.** By Anthony Ray Palmer. Macmillan Company, New York, 1929. 300 pages.

If it were possible to follow sound principles of education in our educational institutions, not only would there be fewer failures but the individual would come under observation the moment he began to fail, the difficulty would be corrected, he would progress with his group successfully, and would profit continually during his school career. On the other hand, the brighter pupils would grow as Nature intended they should grow, without being held back with slower pupils. The aim of this volume is to present methods which the author has used in schools, to discover the weakness and difficulties which pupils have and to direct their studying in such manner as will correct these weaknesses or enable them to overcome the difficulties. The principles of education are the prin-

ciples of mental growth. A pupil cannot succeed when he is attacking a problem too much in advance of his present level of attainments, nor does it profit him to spend his time on problems which are too easy for him. The devices described in this book are intended as a step in advance—therefore progressive—toward a happier organization of the school and classroom which will permit pupils to grow by their own successful achievements, rather than to be taught in military formation.

**Trends in Foundry Production in the Philadelphia Area.** By Anne Bezan-son and Robert Gray. University of Pennsylvania Press, Philadelphia, 1929. 77 pages. \$1.50.

The foundry is considered an excellent barometer of business trends in many industries; castings are an important element in the machinery, transportation, electrical building and other construction, agricultural, mining, and other fields. Not only are foundry products diversified and important, but they serve as raw material basically required in these other industries, and varying demand for the foundry output is "a very sensitive barometer of business activity." Then, too, foundry products are usually sold within a comparatively short distance of the plant where they are produced, due to bulk and weight making transportation costs prohibitive on a cheap commodity.

For these reasons, a careful analysis of foundry activity in a certain district gives valuable information regarding general tendencies in business and industry in that particular district. To be consistent, however, the statistics must be based on carefully developed data on "normal" or "capacity" output, and due allowance must be made for abnormal plants or business conditions.

Such a study was initiated in the Philadelphia district by the Federal Reserve Bank of that city; and later carried on by the Industrial Research Department of the

University of Pennsylvania; the results in graphical and statistical form, are presented in a little volume of 77 pages, covering gray iron, malleable iron, and steel castings for a period of 3½ years. The data compiled includes production, shipments, unfilled orders, per cent capacity utilized, prices, stock on hand, new orders, etc.

The statistics have been well digested, the charts well drawn, and the information conveyed in a form quite helpful to foundry executives. The authors report frequent use of their figures by foundrymen in or near Philadelphia.

The method of analysis could be applied to other districts of the country; the actual figures given are, of course, not applicable outside of the local area covered. While castings may be a better index of industrial activity than pig iron (as the authors point out), the importance of either one is becoming less significant with the increasing use of welded and drawn steel, die castings, extruded metal, etc.

Perhaps the "jobbing" foundry is a fairer index of general business than the "manufacturing" foundry operated as one department of a single industry; the authors show separate figures for each in a number of their tabulations.

The book is clearly and concisely written and the data well digested.

ROBERT P. KING.

**The American Omen.** Garet Garrett. E. P. Dutton & Co., Inc., New York, 1928. 259 pages.

It is not the extent and variety of our resources in raw materials; our self-containment in essential food staples; the size of our jealously protected domestic market with its apparently insatiable capacity to absorb goods; nor enormous quantities of cheap mechanical power, that are responsible for American prosperity, but an attitude of mind. The American does not accept difficulties as inevitable but removes the difficulties. He changes the facts. He has the ability to see matters naively, with no prepared ideas. He takes nothing for

granted. Common sense and skepticism are the causes of American prosperity!

Some of the questions the writer answers are: What is the new meaning of business? What effect will a machine environment have upon our minds and behavior? What does tomorrow hold forth?

In this most delightful book, Mr. Garrett combines idealism and philosophy with more than a modicum of good common sense.

M. R. L.

**Make Everybody Rich.** By Benjamin A. Javits in collaboration with Charles W. Wood. B. C. Forbes Publishing Co., N. Y., 1929. 300 pages. \$3.50.

For the average man of business, "Make Everybody Rich" may be recommended as a good "bed-time story." Certainly the word juggling in this volume will not overstimulate one's mind to sleeplessness. In fact, if one is in the right mood, he may find the semi-satirical style a bit amusing.

The volume draws somewhat the same picture as "The Great American Band Wagon" without the humor existing in the latter volume. Apparently the authors have intended a serious book.

No new ideas are contained in the book, and most of the old ones are now commonly taken for granted. Perhaps the kernel of this volume lies in the authors' advocacy of the repeal of the Anti-trust Laws and in the plea for utopian industrial co-ordination.

GLENN BOWERS, *Director of Research,*  
*Industrial Relations Counselors, Inc.*

**Bilanz-und Betriebsanalyse in Amerika.** By Dr. Kurt Schmaltz. C. E. Poeschel Verlag, Stuttgart, Germany, 1927. 281 pages.

A description of the analysis of financial statements in the United States from the viewpoint of its value to German business. Part One deals with both the theory and practical aspects of American bookkeeping and accounting with a description of the balance sheet including a discussion of



such items as intangible investments, net worth, reserves. Part Two covers the various methods in use in the United States in the analysis of financial statements and touches briefly upon cost accounting with special emphasis on the importance of standard costs. The functions and methods of the accountant-engineer are also outlined. There is a comprehensive bibliography of both American and German books at the end. Unfortunately the present volume precedes the important contribution by Alexander Wall and R. W. Duning on "Ratio Analysis of Financial Statements" and is, accordingly, the loser thereby.

M. R. L.

**Popular Psychology.** By A. A. Roback. Sci-Art Publishers, Cambridge, Mass., 1928. 267 pages. \$2.50.

Dr. Roback's studies in the popularization of psychology are widely known. The present volume is admittedly little more than an outline and syllabus and it would be hardly adequate for independent reading without much explanatory lecturing or wide related reading. One judges that its primary use is in connection with the author's teaching work in university extension, for which purpose it will no doubt serve a useful purpose. The bibliography and biographical material are of real reference value.

ORDWAY TEAD,

*Director of Business Books,  
Harper & Brothers*

**How to Analyze Costs.** By Coleman L. Maze and John G. Glover. Ronald Press, New York, 1929. 389 pages. \$5.00.

Cost accounting is an aid to management, not a substitute for it. The aim of the authors is to present the ideals of the cost accountant in such a way that young executives may utilize costs to greater advantage. These ideals consist in general in the elimination of small wastes in materials, labor, tools, inspection, maintenance, idleness, traffic, sales and

administration. Planning and organization will become more effective, it is believed, when executives comprehend cost reports more adequately. Advice also is given to the cost accountant to present his figures in such a form as will be readily interpretable by the executive. The book is intended as a text in schools of commerce and business administration as well as a suggestion to accountants and young executives.

**Business First in Accountancy.** By Dr. O. Wunderlich. Cornstalk Publishing Company, Sydney, Australia, 1928. 63 pages. 10s. 6d.

This book is an attack on the prevailing point of view of auditors that inventory should be valued at cost or at market price, whichever is less. This principle of auditing is regarded as destructive to sound business management principles.

The author argues for several reforms:

1. Discard of the special formulae of established accountancy.
2. Recognition of the essential variability of values as against the constancy of monetary figures, a reform necessitating a special fluctuation account.
3. Discard of the principle that all figures must be accounted in double-entry whether they denote monies or values.
4. Re-grouping of the accounts as the logical sequel to the introduction of a stock account.
5. Distinction between reserves set aside out of trading profits and reserves due to appreciations.

W. J. D.

**Industrial Economics.** By Dexter S. Kimball. McGraw-Hill Book Company, New York, 1929. 312 pages. \$3.00.

The book is designed to acquaint engineering students with the field of industry and industrial management, and to serve as a foundation for advanced and more specialized study. With this aim in mind the

text logically includes considerable historical matter, and is necessarily elementary in its treatment.

Four chapters are given over to the historical background of industry, three chapters to basic principles of management, and a chapter each to, relations between production factors, standardization, the growth of industrial enterprises, economics of organization, science in industry, measures of management, and the mechanization of industry.

Following graduation most engineers are called upon to undertake executive tasks in connection with technical engineering, and for this reason undergraduate training in the field of engineering which has to do with the organizing and directing of human activities is to be encouraged. Although the text material deals mostly with industry, the principles and methods outlined are applicable over a wide range of social and economic activity.

ARTHUR G. ANDERSON,  
*Associate Professor of Management,*  
*University of Illinois.*

**The Older Woman in Industry.** By Johanna Lobsenz. Scribner's, New York, 1929. 281 pages. \$2.50.

How the older woman can help to solve her own problem by intelligent training for specialized work, by securing intensive experience in one field, by overcoming certain objectionable traits, by making herself as adaptable as possible to changing conditions and new situations which arise, has been discussed at some length by Mrs. Lobsenz. Methods are suggested by which employment managers, employment agencies, industry as a whole, and the state can assist in alleviating the situation.

In this much-talked-of book, Mrs. Lobsenz has given us, as the result of careful study, a wealth of information hitherto uncompiled. Among the statistical tables presented, are graphs of the number of women employed in selected industries in Greater New York, showing the total number of women employed, the number

between the ages of 25 and 44; between 45 and 64, and 65 and over; number and age of women in four great industries in Greater New York; percentage of women over 25 years old in four great industries; earnings of full-time workers, mercantile, New York City.

**Industrial Standardization.** National Industrial Conference Board, N. Y., 1929. 306 pages. \$3.50.

In this resumé of the progress which has been made toward industrial standardization there are chapters on the following topics: Terminology of standardization; company standardization; standardization work of engineering and other technical societies; trade association standardization; the American Standards Association and other national standardizing bodies; the national bureau of standards; standards in government purchasing; international and regional standardization; agricultural standardization; business savings from standardization; standardization and marketing technique; standardization and size of business; standardization as an aid in the stabilization of business; standardization and the ultimate consumer; the trend of industrial standardization.

**Profits, Progress and Prosperity.** By Arthur B. Adams. McGraw-Hill Book Company, New York, 1927. 173 pages. \$2.00.

This is a highly technical treatise which will be of interest mainly to economists moving in academic circles. The aim of the book is to carry still further the discussions of the subject which have been given prominence by Messrs. Foster and Catchings, especially in their book, "Profits," as well as in the author's previous book, "Economics of Business Cycles."

The author appears to agree in part with the thesis of "Profits" but not wholly. He aims to prove that profits, savings and investments in themselves do not cause a shortage of money income but, on the other

hand, that it is only certain uses of savings and credit that bring about a shortage of consumer income in relation to the available supply of goods. When savings by business enterprises and individuals are applied by an industrial system to increase its capital equipment and consistently to expand its volume of production, he does not consider that a shortage of consumer income results. On the other hand, if these savings are applied to bring about an over-supply of consumers' goods, prices must fall and consumer income may be adversely affected.

Dean Adams thinks that the major business depressions are caused when excess circulating-capital goods are thrown on the market and that "the only way to remedy this difficulty in the operation of the industrial system is to prevent the recurrence of the boom." He asserts that "this can be done through the control of the expansion of credit."

The book appears to make an additional contribution to an important question but it is not a work that the general reader will have the patience to absorb.

MARK M. JONES,  
*Consulting Economist.*

**Store Management for Profit.** By Willis O. Derby. Harper & Bros., New York, 1929. 163 pages. \$3.00.

Mr. Derby's book is easily understood and is illustrated with numerous practical charts and suggestions. However, it is unfortunate that a firm of publishers bearing the reputation of Harper and Brothers, should have advertised it as "a clear, popular statement of methods of improved control for the smaller store," when its contents are concerned only with the men's wear business. In the field of men's clothing and haberdashery, and in a few related lines, it offers a simple solution of the more common problems met in merchandising. In other retail lines, however, such as the drug or grocery business, where stock turnover is much higher and the

margin of profit a great deal lower, the book has little useful application.

In discussing the merchant himself, the author has very properly emphasized the importance of an adequate system of stock control, expense control, and accounts. He points out that the "blind side" of many men entering business for themselves is their absolute lack of an understanding of business economics and their mistaken belief that success depends solely upon obtaining enough volume. Further emphasizing the personal element in retail merchandising, it is pointed out that too many men are "trying to sell clothing when they are temperamentally and physically unfitted for that calling." Many others have not yet developed their selling ability.

That part of the book dealing with financing emphasizes first, the importance of a budget which will forecast the probable amount of sales and then determine how the required amount of merchandise is to be financed. A three-time turnover is common in the men's wear business and considerable attention given to mark-downs and mark-ups in their relation to turnover and profits. Unit control of stock expense control, credit policy, sales promotion, and advertising are also discussed in their respective chapters.

In conclusion, the author states that it is not hard to make money in the men's wear business. However, "the average merchant is a great lover of precedent and custom . . . so he cannot see any necessity for 'a lot of red tape,' when he used to get along very nicely without it . . . Regardless of the physical appearance of his place of business, unless his merchandising is abreast of present day conditions, he is mentally asleep. . . . With that thought in mind, we have stressed here the importance of records and systems. We doubt if too much importance can be placed on records which will show up the weaknesses of our business and the rocks ahead."

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*The Kroger Grocery & Baking Co.*

